



Basis Points – January 28, 2021

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Above the Fold

Global Housing Prices Surging: Is This a Bubble?

Here in the states, some bits of the economy just don't make sense. The current unemployment rate remains at close to a six-year high, gross domestic product is estimated to decline more than -4% and the new administration is taking more aggressive (potentially restrictive) steps to combat the pandemic, which has seen a resurgence. This story is being repeated across the globe in many developed nations. America, and many of our trading partners, are at the end of what's been a record economic expansion — with most analysts predicting mediocre growth for both stocks and the economy once the scourge of COVID-19 is behind us.

Apparently, the global housing market didn't "get the memo," as many countries from Munich and Warsaw to Paris and London are all being viewed as "overvalued," according to recent research from [UBS](#) and others. The Federal Housing Finance Agency U.S. House Price Index (one of the broader measurements of home values) rose 11% from November 2019 to November 2020, adding 1% in December as well. That same index shows American home prices, not just the hotspots, are up more than 23% from the 2007 highs preceding the crash. In many areas, sellers are getting 10 to 30 bids for their homes (remember those days). But this rally (a bubble according to some) is not being fueled by tons of risky loans, high leverage and irrational demand. Today's marketplace is really about three things: record low interest rates, limited supply and the pandemic effect on both shifting populations and a reluctance to sell due to unknowns. The question is whether the inevitable end of the pandemic, coupled with rising rates, will trigger a reversal of these favorable trends.

Three Things

1. *Guess What America Is Doing With Its Stimulus Checks* – As a country known to spend lavishly, a recent study revealed that more than 70% of us are making smart financial decisions when it comes to government stimulus checks. According to the New York Fed Survey of Consumer Spending, the average household saved nearly 36.5% of their stimulus windfall, while another 34.5% was used to pay down debt. Only 7.7% spent the money on non-essential items.
2. *Watch Out for That Self-Driving Scooter!* – Ford-owned scooter maker Spin is testing a new, remote controlled scooter that will allow the company to reposition scooters left in undesirable areas or in the way of pedestrians and traffic. If successful, teleoperated e-scooters could change the dynamics and economics of the budding industry. Misplaced scooters are currently harvested and repositioned by hordes of humans every night, which can be a cost and logistics nightmare.
3. *GM Plans to Make Water and Big Trucks* – After scrubbing its plans to invest in hydrogen truck startup Nikola, General Motors just announced strategic partnerships with trucking firm Navistar and hydrogen fuel cell maker OneH2 to get more hydrogen-powered, long-haul rigs on the road. Despite being the most abundant element in the universe, there are major refueling challenges. The good news is that refueling would take just 15 minutes, and the only byproduct of hydrogen engine operation is water.

Did You Know?

A little more on real estate

In 2020, millennials surpassed baby boomers as America's largest generation. Age 24 to 39, the segment represents more than 72 million people. Before the COVID-19 pandemic struck, analysts expected 2020 to be a peak for millennials in home purchases. Current data also suggests that they are nearing 45% of all mortgages issued in the states, but again that trend has slowed due to the pandemic. There has been a meteoric increase in U.S. home ownership in the last two years alone, jumping to nearly 68% — the highest-ever reading was in the second quarter of 2004 at 69.2%. The case could be made that millennials, who are just reaching their homeownership stride, could help support home values, so long as rates stay relatively low.

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